

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2474-03
BILL NO.: HB 1501
SUBJECT: Telecommunications
TYPE: Original
DATE: January 24, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(Up to \$469,325)	(Up to \$264,030)	(Up to \$269,273)
Total Estimated Net Effect on <u>All</u> State Funds	(Up to \$469,325)	(Up to \$264,030)	(Up to \$269,273)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of the State Public Defender, Office of State Courts Administrator, Department of Economic Development - Public Service Commission and Office of Public Counsel**, and the **Office of the Attorney General** assume their agencies would not be fiscally impacted by the proposal.

Officials of the **Office of Prosecution Services** assume the proposal could result in costs to the local prosecutors, but the amount is unknown. **Oversight** assumes any costs could be absorbed with existing resources.

Officials of the **Office of the Secretary of State (SOS)** assume the proposal establishes a database to compile a list of residential subscribers who object to receiving telephone solicitations and establishes a toll-free telephone number that residential subscribers may call in order to be included in the database. SOS officials note that their assumptions are based on limited research they were able to perform in a short amount of time. They note there are several states which have enacted or considered this type of proposal. Officials believe that the following assumptions could be made more accurate based upon further contact with these states as well as additional research. SOS assumptions are as follows:

Assumption I: Officials assume that the SOS will not contract out for the establishment and operation of the database and the toll-free number. If the SOS were to contract out for these services, however, they estimate that it would cost \$5.00 per registered residential subscriber multiplied by 5% of the residential telephone lines in Missouri. According to the Public Service Commission, there are 3.5 million residential phone lines in the state, of which 5% would be 175,000. Thus, they estimate the costs would \$875,000 (\$5.00 x 175,000) to contract out for these services. Included in the estimated fee would be project implementation, as well as the design of the database, telephone system and web page; maintenance of the database; manning of the toll-free telephone line; registration of Missouri residents that want to be placed on the "Do Not Call List"; registration of the telephone solicitors; processing of all fees received from telephone solicitors; maintenance of a web site where telephone solicitors can download the "Do Not Call List" from the Internet and Missouri residents can register on the List; remittance of all fees to the state of Missouri; distribution of the information on the database to telephone solicitors; and production and shipping of public service announcements to radio and television mediums. SOS officials have based their assumptions on information they received orally from a company that currently provides these services for Georgia and Oregon.

Assumption II: Because they anticipate an influx of telephone calls by Missouri residents to the toll-free number during the first several months that the database and toll-free telephone number are in operation, SOS officials assume that more staff will be needed during this timeframe. In Georgia, twenty-seven staff answered the toll-free telephone number and three staff processed mail during the first three months the "Do Not Call List" was in operation. During the first month that the database and toll-free telephone number were in operation in Georgia, 20,000 residents enrolled on the list. During the second month, 60,000 residents enrolled, and during the third month 15,000 enrolled. Eventually, the number of residents enrolling on the list in Georgia leveled out to around 5,000 per month. SOS officials are therefore assuming they will need 15 temporary clerical positions during the first several months that Missouri's database and toll-free number are in operation to handle the influx of telephone calls by Missouri residents wanting to register. Missouri is not charging a fee for its residents to register, while Georgia does. It is possible that a larger percentage of Missourians will register as compared to other states that do charge fees.

Assumption III: In estimating the cost of the telephone bills for the toll-free number during the first year, SOS officials assumed that 5% of Missourians with residential telephone lines will call wanting to be registered, based on the experience of Georgia. Therefore, officials assume that during the first year of operation, 175,000 Missourians would call to be registered on the database (5% of 3.5 million residential telephone lines). They assume that each call will last about five minutes and that the cost will be 10 cents per minute per call. Therefore, costs are assumed to be \$87,500 (175,000 calls @ five minutes per call @ 10 cents per minute). Additionally, officials estimate they will have twenty lines on the toll-free system and that each line will cost about \$20 per month to maintain for a total cost of \$4,000 (for 10 months). Total telephone bills for the first year on the toll-free system will be \$91,500. SOS officials assume that after the first year only about 5,000 Missourians will register on the "Do Not Call List". Therefore, subsequent years' telephone costs will be \$25,000 (5,000 calls @ five minutes per call @ 10 cents per minute), plus \$4,800 for phone lines (20 lines @ \$20 per line for 12 months), or a total of \$29,800 annually.

Assumption IV: The proposal requires the SOS to contract for public service announcements designed to promote the database and the toll-free telephone number. Officials assume that the public service announcements will only be run on radio and commercial television stations and that these mediums will run these ads at no cost. The SOS currently has the capability to produce these public service announcements. They estimate it would cost \$2,000 to produce, duplicate, process and mail a series of three radio ads on one tape to all Missouri radio stations, and it would cost \$5,000 to produce, duplicate, process and mail a series of two to three television ads on one tape to all commercial television stations in Missouri.

Assumption V: SOS officials assume that the telephone system that will be needed to establish the toll-free telephone number will cost about \$25,000. They base this cost on the cost of the telephone system used by Georgia to implement its "Do Not Call List". The telephone system should be an automated voice response system that allows the Missouri resident calling to give their name, address and telephone number. Because many people prefer to talk to a person as opposed to a computer system, there will need to be a live operator option. Additionally, they estimate that there will need to be at least 20 lines dedicated to the telephone system to handle the large influx of telephone calls during the first several months that the toll-free number is available. In the first 90 days that Georgia's toll-free number was in place, 95,000 applications by residents wanting to be placed on the "Do Not Call List" were processed. Some days there were as many as 7,000 to 8,000 calls per day on the toll-free line in Georgia.

Assumption VI: Officials assume that it will cost \$22,000 for the first year to lease office space for the 15 temporary clerks. They estimate that they will need 2,200 square feet of space for these employees and that this space, including utilities (except telephone) will cost \$10 per square foot to lease for one year.

Assumption VII: The proposal authorizes the establishment of a database so that consumers can avoid unwanted telephone solicitations. This will require the SOS and the Public Service Commission (PSC) to promulgate rules. Based on experience with other divisions, the rules, regulations and forms issued by the SOS and PSC could require approximately 34 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the *Code* because cost statements, fiscal notes and the like are not repeated in the *Code*. Estimated costs are \$22.50 per page in the *Missouri Register* and \$26.50 per page in the *Code of State Regulations*. The actual costs could be more or less than the numbers given. The impact in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

In carrying out their duties under this proposal, SOS officials indicate they will require 15 temporary clerks working 1,000 hours each to be responsible for answering the toll-free telephone number and registering Missouri citizens on the database. Additionally, these employees will also be responsible for processing any applications from Missouri citizens that are mailed or are sent in on the Internet. These employees will be temporary and will only be needed during the first several months that the database and toll-free telephone number are in operation in order to handle the anticipated influx of telephone calls of those Missourians wanting to register on the "Do Not Call List". SOS will also require two Clerk III's for registering and processing all applications received via the toll-free telephone line, through the mail and through the Internet, registering all telephone solicitors that want to do business in

Missouri, collecting and processing annual fees from telephone solicitors, and helping with any overflow calls on the toll-free telephone line. Also, one Computer Information Technical Specialist I will be responsible for designing and maintaining the database of Missouri residents that do not want to be solicited, making sure the program runs smoothly, and remitting information on the database to telephone solicitors on a timely basis. SOS officials assume that, at least initially, the proposal would require supervisory personnel, but anticipate being able to absorb these costs.

In addition, SOS officials assume that state revenues will increase minimally as a result of fees charged to telephone solicitors. They do not know how much the telephone solicitors will be charged as the fees are not established in the proposal but are to be established by regulation.

Oversight has adjusted costs submitted by the SOS to eliminate rental and related costs for the three permanent FTE requested by the SOS, assuming space for this few number of FTE could be found within existing office space. Rental costs for the 15 temporary positions are included in the fiscal estimates.

The Department of Corrections has not responded to Oversight's request for fiscal information, nor have they provided a ten-year prison impact statement as required by section 217.022, RSMo. However, Oversight assumes the proposal would have minimal impact on the prison or probation populations. The exact cost cannot be determined, but is expected to be less than \$100,000 annually.

	FY 2001	FY 2002	FY 2003
<u>FISCAL IMPACT - State Government</u>	(10 Mo.)		

GENERAL REVENUE

Income-Secretary of State

Fees charged to telemarketers	Minimal	Minimal	Minimal
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Costs-Secretary of State

Personal services (17 FTE, including 15 temporary clerical for FY 2001 only)	(\$168,800)	(\$98,364)	(\$102,298)
Fringe benefits	(\$24,081)	(\$30,060)	(\$31,262)
Equipment and expense	<u>(\$176,444)</u>	<u>(\$35,606)</u>	<u>(\$35,713)</u>
Total <u>costs</u> - Secretary of State	(\$369,325)	(\$164,030)	(\$169,273)

Costs-Department of Corrections

	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>FISCAL IMPACT - State Government</u>			
Increased incarcerations and/or probation cases	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(Up to <u>\$469,325</u>)	(Up to <u>\$264,030</u>)	(Up to <u>\$269,273</u>)
<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

Small business which conduct telephone solicitations could be fiscally impacted by this proposal.

DESCRIPTION

The proposal creates a statewide no-call database housed in the Secretary of State's office and regulates telemarketing practices.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Secretary of State
Department of Economic Development - Public Service Commission, Office of Public Counsel
Office of State Courts Administrator
Office of Prosecution Services

SOURCES OF INFORMATION (continued)

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NOT RESPONDING: Department of Corrections

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA
Director
January 24, 2000